

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 1293-01
Bill No.: Perfected HB 940
Subject: Retirement - State
Type: Original
Date: April 15, 2015

Bill Summary: This proposal changes the laws regarding the calculation of retirement benefits for specified new state employees.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
Total Estimated Net Effect on General Revenue	\$0	\$0	\$0

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 5 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
Total Estimated Net Effect on FTE	0	0	0

☐ Estimated Net Effect (expenditures or reduced revenues) expected to exceed \$100,000 in any of the three fiscal years after implementation of the act.

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Joint Committee on Public Retirement** state that this legislation would not create a substantial proposed change in future plan benefits as defined in Section 105.660(10).

Officials from the **Missouri State Employees Retirement System (MOSERS)** state the proposal would, if enacted, place a cap on salary that is considered for retirement system purposes for members who first become employed on or after August 28, 2015. As proposed, the monthly cap would be equivalent to one-twelfth of the governor's annual pay, as provided under sections 26.010 and 104.005, RSMo. As a result, any amount exceeding the current monthly pay of the governor would be excluded from the final average pay that is used in calculating a retirement benefit and from the determination of contributions made by members or made by the state based on that members' pay.

A query of MOSERS records indicates that there are presently 63 members with pay exceeding the governor's annual salary of \$133,821. (This number does not include state university employees as their replacements would likely be covered by the college and university defined contribution plan as opposed to MOSERS defined benefit plan nor does it include judges who are members of the Judicial Plan covered in Chapter 476, RSMo.)

Due to the small number of employees that would be affected, the proposal is estimated to have no fiscal impact on MOSERS current benefit obligations given the relatively insignificant reductions in overall contributions and benefits.

House Amendment 1

In response to an identical proposal, HCS for HB 770, officials from the **Joint Committee on Public Retirement** stated that the legislation would not create a substantial proposed change in future plan benefits as defined in Section 105.660(10).

In response to an identical proposal, HCS for HB 770, officials from the **Missouri State Employees Retirement System (MOSERS)** assumed the proposal would, if enacted, allow any member of the MOSERS and the MoDOT and Patrol Employees' Retirement System (MPERS) who is eligible to retire (with an early or normal retirement benefit) and dies, to be considered to have retired and died on the first of the month following the member's death.

ASSUMPTION (continued)

In such an event, the member shall be considered to have elected a 120-month guaranteed payment option and the remaining payments would be paid to a beneficiary designated by the member, eligible surviving relatives of the member, or the member's estate, as provided under subsection 3 of section 104.620. If the member has a surviving spouse or children under age twenty-one, then no benefits would be paid, except as provided for death before retirement under sections 104.140, 104.420, or 104.1030 (wherein a surviving spouse would receive a joint and survivor annuity and a surviving child would receive a monthly payment until age twenty-one).

Presently, no benefits are paid when a members dies prior to retirement, except to a surviving spouse or if there is no surviving spouse, to children under the age of twenty-one.

There would be some cost associated with this proposal since the system would pay benefits that would not otherwise presently be paid. However, given the limited (and declining) universe of members whose potential beneficiary would qualify for what would be a temporary benefit under this proposal, the financial impact is expected to be insignificant and would not impact the financial condition of the retirement system.

In response to an identical proposal, HCS for HB 770, officials from the **MoDOT and Patrol Employees Retirement System** assume under this proposal, if no survivor annuity is payable to a surviving spouse or eligible surviving children under the age of 21, the designated beneficiary would receive the eligible benefit as if the vested member had elected the 120-month guaranteed optional form of payment. If no beneficiary has been designated by the member, the reserve for the 120-month period shall be paid as provided under subsection 3 of Section 104.620.

This proposed provision does not affect current retired members. There would be some cost associated with this proposal since the system would pay benefits that would not otherwise presently be paid. Given the limited universe of members whose potential beneficiary would qualify for what would be a temporary benefit under this proposal; however, the financial impact is expected to be insignificant and not impact the financial condition of the retirement system.

<u>FISCAL IMPACT - State Government</u>	FY 2016 (10 Mo.)	FY 2017	FY 2018
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
 <u>FISCAL IMPACT - Local Government</u>	 FY 2016 (10 Mo.)	 FY 2017	 FY 2018
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

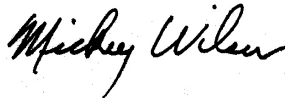
FISCAL DESCRIPTION

The proposed legislation appears to have no direct fiscal impact.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Joint Committee on Public Retirement
Missouri State Employees Retirement System
MoDOT and Patrol Employees Retirement System



Mickey Wilson, CPA
Director
April 15, 2015

Ross Strope
Assistant Director
April 15, 2015